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CMAs' INDUSTRY BULLETIN

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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GOODS AND SERVICES TAX AND ITS IMPACT ON WORKING CAPITAL OF COAL INDUSTRY

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The present system of indirect taxation on goods and service is characterized by multiplicity of taxes and very complex also. There was cascading effect of indirect taxes. There was no input tax credit on interstate transaction.In order to eliminate cascading effect and remove the multiplicity of taxes, Government urged to introduce Goods and Service Tax; One Country One Tax. The implementation of GST will be historical move in indirect reforms. On the occasion of passage of the GST Bill in the Rajya Sabha, Hon'ble Prime Minister, Shri Narendra Modi, called Good and service tax; A Game Changer, ease of doing the business and said that this reform will promote Make in India, help exports and thus boost employment while providing enhanced revenue.

However, working capital of some industries is badly affected specially for industries covered under "Inverted Rate of Duty". Inverted duty Structure is a situation when the credit has accumulated on account of rate of tax on input being higher than the rate of output supplies (other than nil rated or fully exempt supplies). Coal is covered under Inverted duty Structure. This study indicates that working capital of coal industry due toInverted duty Structure is badly affected.

OVERVIEW

The Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 was introduced in the 16th Parliament on 19.12.2014. This bill provides levy of GST on supply of all goods or services except alcohol for Human Consumption. This bill was passed in May 2015. The bill was referred to selected committee of RajyaSabha on 12.05.2015; the committee submitted their report on 22.07.2015. The bill with certain amendments was finally passed in the RajyaSabha and thereafter by Lok Sabha in August, 2016. Further the bill had been ratified by the required number ofstates and received assent of the president on 08.09.2016 and finally culminating into an Act – the Constitution (One Hundred and First Amendment) Act, 2016 with effect from 16.09.2016.

Finally GST has been introduced in India w.e.f 01.07.2017

IMPACT OF GST ON WORKING CAPITAL ON COAL INDUSTRY

Inverted rate of duty structure under GST

In simple term 'Inverted duty Structure' is a situation when the credit has accumulated on account of rate of tax on input being higher than the rate of output supplies (other than nil rated or fully exempt supplies).

Products		GST on	
Finished Goods (Output)	**Input**	**Finished Goods**	**Input**
Coal	**Explosive**	**5%**	**18%**

Coal is under the 5% rate of GST; however Input, Capital goods and Input services used in extraction i.e Explosive, Lubricants, HEMM, spares parts of machineries, OB extraction services are under the tax bracket of 12%, 18% and 28%. This shows that Input tax rate of GST is more than output tax rate due to which we may not be able to fully utilized GST Input tax credit consequently block our working capital/liquidity. The same is enumerated in the following table

(Amount in Crore)

Sl. No.	**Particulars**	**Assessable Value**	**Rate**	**Tax Liability**
1	Taxable value of coal	12,044.80	5%	602.24
2	Rental of Immovable property	15.00	18%	2.70
	Total (A)			**604.94**
B. Expected Input Tax Credit				
S.No.	**Items**	**Expected Expenses**	**Rate**	**Tax Liability**
1	**Input**			
	HEMM Spares	517.66	18%	93.18
	Explosive	557.98	28%	156.23
	Lubricant	540.69	18%	97.32
	Other spares	132.23	18%	23.80
2	**Capital Goods**	624.12	18%	112.34
3	**Input Services**			-
	Repair And maintenance of Building (Works Contract)	90.11	18%	16.22
	Repair And maintenance of P&M	135.50	18%	24.39
	Transportation	109.44	12%	13.13
	OB outsourcing	1,958.26	18%	352.49
	Other contractual Expenses	53.55	18%	9.64
	Service charge to CIL	40.11	18%	7.22
	CMPDI Expenses	20.46	18%	3.68
	Other Services	10.00	18%	1.80
	GST on Royalty	1,431.16	18%	257.61
	Total (B)			**1169.05**
	Excess ITC/Blockage of Working Capital (A-B)			**(564.11)**

(Figure has been taken from the audited books of Accounts for F/Y 2016-17of Northern Coalfields limited, A subsidiary of Coal India Limited for computation purpose)

From the bare perusal of this table, it can be seen that the Input tax credit cannot be fully utilized; it may lead to blockage of liquidity and badly affected the working capital of industry. The blockage of working capital may continue year to year.

Actual Position of Accumulative Input tax Credit as on 31.03.2018 of Coal India limited as whole

S. No	**Subsidiary**	**Amount in Crore**
1	Northern Coalfields Limited (NCL)	798.74
2	South Eastern Coalfields Limited (SECL)	679.41

3	Central Coalfields Limited (CCL)	481.62
4	Bharat Cooking Coalfields Limited (BCCL)	330.12
5	Western Coalfields Limited (WCL)	267.01
6	Mahanadi Coalfields Limited (MCL)	195.62
6	Eastern Coalfields Limited (ECL)	149.62
7	CMPDIL	30.79
8	NEC/CIL	17.55
9	Total	2950.48

(Figures is taken from Audited Books of Accounts of Coal India Limited for F/Y 2017-18)

Output tax rate of GST on coal is lower than Input tax rate lead problems of blockage of working capital.There is accumulation of Input Tax credit to the tune of Rs 2950.48 crore for Coal India Limited as whole; huge blockage of working capital, consequently coal industry may lose investment income.

Although in GST Act, there is provision for filing refund for goods covered under inverted rate of duty under section 54(3) of CGST Act, 2017 read with Rule 89 (5) of CGST Rule, 2017, which earlier allowed the refund of Input tax credit of Input and Input services. However, CBIC vide notification no 26/2018 dated 13.06.2018 retrospectively amended the provision of Rule 89(5) clarified that refund of Input tax credit only for Input only and clarified that maximum amount of refund of input tax credit shall be granted as per the following formula;

Maximum amount of refund→

$$\frac{\text{Turnover of Inverted Rated Supply of Goods (i.e. value of Coal Supplied)}}{\text{Adjusted Total Turnover}} \text{ (x) Net ITC (-) } \text{Tax payable on Inverted Rated Supply (i.e. value of Coal Supplied)}$$

Wherein Net ITC shall mean input tax credit availed on INPUTS during the relevant period other than the input tax credit availed for which refund is claimed under sub-rule (4A) or (4B) or both; which indicate that Input tax credit availed on Input services and Capital goods would not be eligible for refund in the above case.

Before amendment of this rule, Net Input tax credit for refund includes input tax credit availed on inputs as well as Input services, However, after amendment Government has limited the scope of refund only on eligible inputs (i.e. input service has been made ineligible) retrospectively w.e.f. 01.07.2017. We understand that after the amendment the definition of ITC for refund, Coal Industry could not claim refund as substantial amount of Input tax credit is related to Input services like Service of Over burden removal outsourcing service, GST on Royalty under reverse charge, however being mining industry Input is limited to explosive, lubricant, spares parts etc. whose ITC is much lesser than ITC of services due to quantum of work. It is seen that Input tax credit related to Input is 20% of total Input tax credit and remaining 80% credit belongs to Capital goods and Input services, which is not eligible for refund as per the amended provision of Rule 89(5).Value of output tax liability of coal is more than value of Input tax credit pertains to Inputs; thus no refund will due to Coal Industry.

In view of above facts, it appears that working capital of Coal Industry will be blocked in the form of Input Tax credit.

CONCLUDING OBSERVATION

It is true that due to implementation of GST purchase price of coal is reduced by 5%; the reduction in the tax rate of coal is likely to be beneficial to the Indian economy. Coal is an important input in many different types of industries. Thus, it will beneficial to the construction, iron, and power generating industries. Simultaneously, output tax rate of GST on coal is lower than Input tax rate which lead the problems of blockage of working capital, it is seen that there is blockage of working capital to the tune of Rs 2950.48crore of CIL which is a huge amount which is blocked in the form of Input tax credit. Furthermore as per the amended provision of Rule 89(5) of CGST Rule, 2017, Coal Industry will not be eligible for refund of Input Tax credit.

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EDUCATION RELOADED: DAWN OF THE DIGITAL AGE

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THE BEGINNING

When there is a mention of Wills, Sahara, Star, Oppo and Byju's in a single sentence, there has to be some similarity among them, which is being talked about. In fact, the common factor that connects these brands together is - Indian Cricket Team or 'Team India', as fans fondly call it. Byju's is the current sponsor of Team India, while all others mentioned above are previous sponsors at different periods of time.

Byju's is the brand name for Think and Learn Pvt. Ltd, an educational technology (EdTech) company based in Bangalore, founded in 2011. Its association with a huge brand like Team India's manifestation of the fact that how big the education sector in general and online education in particular, has become in India. And to begin with, this is just a beginning for the digital era of education in India.

BACKGROUND

India is now the fifth largest economy in the world. Despite recent slowdown in the economy, the long term outlook is good and by 2030, India is expected to become the third largest economy. A stable government, strong Banking and Financial sector, growing manufacturing sector, infrastructure projects help an economy move forward. But what really drives an economy is skilled and competent manpower, which is the output of a robust education sector.

The importance of education becomes manifold in a developing country like India, which is suffering from twin problems of poverty and unemployment since long. A large section of the population is still living under poverty. Education is nothing less than an empowerment for the underprivileged, enabling them to come out of fringes and contribute in the economic prosperity of the nation. In the long term it can serve as a bridge between the 'developing nation of present' and the 'developed nation of future'. As India is fast becoming a digital economy, the education sector has also taken its steps towards digitization by embracing technology.

EDUCATION SYSTEM IN INDIA

The present educational landscape in India is characterized as multi-layered formal education system with primary and secondary education followed by higher education. There is a multiplicity of governing bodies like CBSE, ICSE, NCERT, National Institute of Open Schooling, State Government Boards in school education and AICTE, ICAR, UGC, NCTE, MCI etc in higher education.

The informal education includes pre-primary, coaching classes, vocational studies and multimedia/ technology based educational courses aiding as a supplement or substitute to formal education. India's informal education market is one of the largest in the world. Test preparation contributes to a significant share of informal education in India. Coaching centres offering courses for Medical, Engineering and MBA entrance tests and Bank PO exams are very common in almost all cities in India.

It is exactly a decade ago, when Right of Children to Free and Compulsory Education (RTE) Act 2009 came into force in April 2010. The RTE Act entitles every child of the age 6 to 14 years to the right to free and compulsory education in a neighborhood school. Prior to this, Sarva Shiksha Abhiyan (SSA) was launched in 2001 with the objective to achieve universal primary education. These are some of the recent initiatives by the government. But the journey of current education set-up began right after the independence.

To suggest measures to develop an educational system commensurate with the socio-economic goals of the nation, Radhakrishnan Commission (1948-49) and Kothari Commission (1964-66) were appointed. The reports submitted by them eventually led to the formulation of National Policy of Education (NPE) in 1986 which was modified in 1992.

A draft version of the National Education Policy 2019 has already been released for the comments of experts, academicians and general public. In the budget speech, Finance Minister has said that the policy will soon come into force. The policy draft acknowledges the important role of Information and Communications Technology (ICT) in the education sector. It mentions that the NPE 1986/92 was formulated just before the Internet revolution and it could not foresee the radical changes it brought in the next decade.

TRENDS IN ONLINE EDUCATION IN INDIA

A study was conducted by KPMG and Google, titled "Online Education in India: 2021" which was released in 2017. The study has highlighted several critical issues about the Indian education sector and the online education ecosystem of India.

India's online education market will grow to USD 1.96 billion with 9.6 million users by 2021 from USD 247 million and around 1.6 million users in 2016. That amounts to almost 8 times growth in value and 6 times growth in terms of number of users over a period of 5 years.

Online Education Market Segments

The study has categorized the online education market in five segments. The market size of the respective segments in 2016 and the projections of 2021 are presented here.

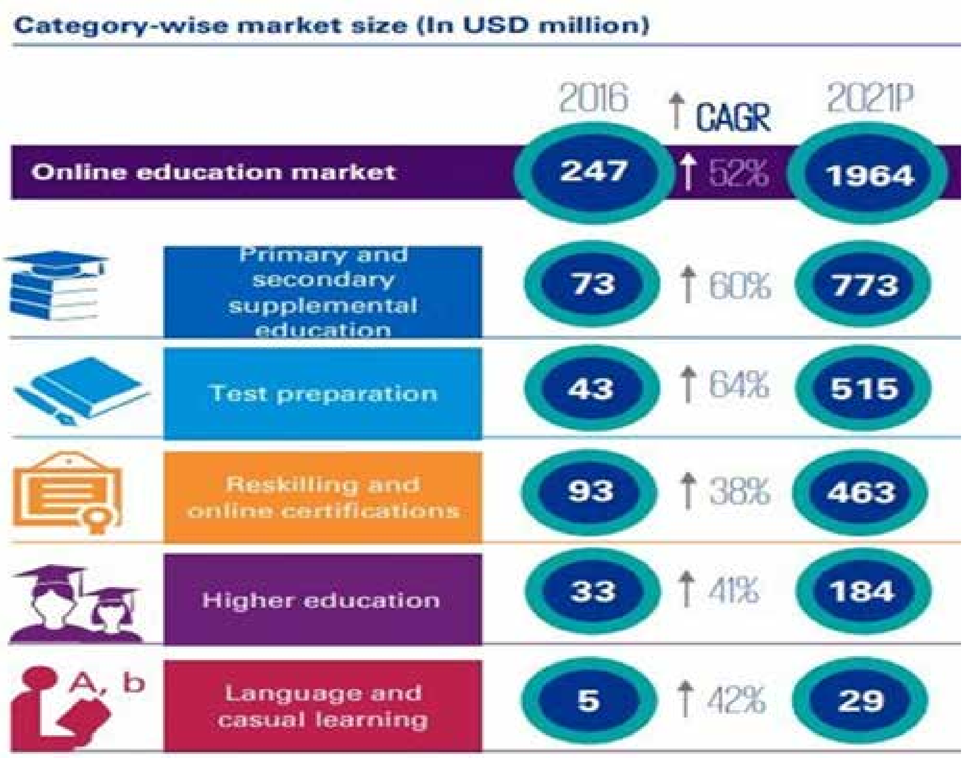

Figure 1: Online Education Market

Source: KPMG – Online Education in India 2021

"Primary and Secondary Supplemental Education" covers the courses which act as supplements to classroom teaching, substituting the tuition classes.

'Test Preparation" targets students and professionals preparing for Engineering, Medical, CAT, GMAT, UPSC, PCS, Bank

PO and other competitive exams. This category is showing the highest growth with CAGR of 64%, perhaps due to the fact that it provides direct gateway to employment or a professional course.

"Reskilling and Online Certification" is preferred category for working professionals who opt for short-term certification courses on niche subjects in order to upskill/ reskill, which is either required in the current job or for a better opportunity outside.

"Higher Education" category is a direct substitute to the existing offline channel in India, which is mainly preferred by working population. It is still at an early stage of development.

"Language and Casual Learning" category acts as a supplement and substitute alternatives available offline. Language course like Spoken English and pursuing some hobbies like guitar lessons, cooking etc. are covered under this category.

GROWTH DRIVERS OF ONLINE EDUCATION

There are numerous factors that are driving digitization in Indian education and leading towards adoption of online education:

1. **Internet Penetration**

   India has witnessed a fall in data costs by more than 90 percent since 2013. This has led to sharp jump in the number of internet users, which stands at 451 million in 2019, as per a report by Internet and Mobile Association of India (IMAI). The internet user base in 2013 was 190 million, indicating a growth of almost 2.5 times. Although internet penetration at 36 percent is still very low, it is an indication of high growth potential. And it is estimated that by 2022, the total internet users will be more than 800 million, with internet penetration reaching to 60 percent.

2. **Growing Smartphone penetration**

   The Smartphone usage in India is growing rapidly with 502.2 million users as of December 2019. The number is estimated to reach a whopping 829 million by 2022, and by that time 5G services are also expected to start in India, which will further drive the growth of Smartphone usage.

3. **Young population**

   India is the youngest nation with more than 62 percent of its population in working age group of 15-59 years and more than 54 percent of its total population below 25 years of age, there is a clear advantage of demographic dividend. As the younger population is more receptive to the new technology, the adoption of online education will increase.

4. **Government Initiatives**

   Government has taken a number of initiatives which are contributing in building the infrastructure needed for online education. These initiatives include SWAYAM, E-Basta, Massive Online Open Courses (MOOCs), National Digital Library (NDL) etc. Skill India and Digital India have also a significant contribution towards online education

5. **Online Channels**

   There are many Edtech startups in India like BYJU's, UpGrad, Simplilearn, Toppr, Catalyst Group and Unacademy with their main focus on test preparations and personalized learning programmes. Foreign players like Brainly have also started operating here. YouTube channels like StudyIQ, wifistudy and Mahendras are very popular and have a sizable subscriber base.

6. **Skills and Employability**

   It is estimated that the Indian workforce will increase to approximately 600 million in 2022 from 473 million in 2018. During this period, there will be a slight increase in organized sector jobs from 8 percent to 10 percent, still a huge number in absolute terms. Also, with emergence of advanced robotics, artificial intelligence and machine learning, the future skills profile and employability scenario will change drastically.

7. **Low Cost and Convenience**

   The online platforms provide many courses as 'open access' and free. Subscription is applicable for some specialized courses, lectures and topics, which is generally not very high. The students have the convenience of accessing lectures and study materials at any place and time.

RECENT DEVELOPMENTS

When we talk about "Recent Developments", we refer to a combination of factors leading to a change in the environment affecting a specific group or a large section, which usually happen over a period of time. In fact, using the word 'development' to describe the current situation is misleading, as the entire world is now heading in the backward direction.

COVID-19 Outbreak

A few years back, Bill Gates has said - "Not missiles, Microbes" will bring the world to its knees. World Bank has predicted that a pandemic could see global wealth stripped of 3 trillion dollars. It seems we are truly on course for that situation. The outbreak of highly contagious disease COVID-19, caused by novel Coronavirus has turned the entire world upside down. The COVID-19 has created a chaos like situation. Mandatory shutdowns and social distancing has become the norm.

Its impact in India is also very severe. To prevent community spread of the virus, the entire nation went into a complete 'Lockdown' of 21 days starting from 25th March. It is unprecedented to witness such a big nation coming to standstill. As people are staying indoors, technology is helping in communicating with family, friends and relatives through video calling, social media etc. or getting entertained and informed through television, OTT platforms, and other news and entertainment portals.

Learning has also taken the digital route. The pandemic has forced educational bodies to look to digital learning as the only option. A case in point is NIIT University, Neemrana, Rajasthan. In March, when Covid-19 cases started coming out in India, NIIT shut down its classrooms and went into digital mode. The university started holding its classes through video conferencing and made use of virtual labs for demonstrating experiments through video conferencing. EdTech sector is already growing in India with players like Byju's, Unacademy, Catalyst Group catering to different users. In the current situation, learning through these apps and interfaces will further increase.

Union Budget 2020-21

The Union Budget 2020-21 has some important declarations for the education sector. As a major push to online education in India, It was announced that select higher education institutions among the 'Top 100' will offer online education programme for underprivileged students. UGC as a pilot has already approved seven institutions – IGNOU, Amity, JSS Academy of Higher Education, Mysore, Manipal Academy of Higher Education, BVP Pune to offer online programmes.

National Policy on Education

The draft of the National Policy on Education has laid emphasis on the digitization and technology in education. It calls for appropriate integration of technology into all levels of education - to support teacher preparation and development; improve teaching, learning and evaluation processes; enhance educational access to disadvantaged groups; and streamline educational planning, administration and management.

The technology may be leveraged for Teacher preparation through the use of online courses, with due emphasis on quality. It can be impactful in the classroom processes of teaching, learning and evaluation and also to reach disadvantaged groups, including differently-abled students, girls and women, and students living in remote areas

National Educational Technology Forum

The National Educational Technology Forum (NETF), an autonomous body, is proposed to be created to provide a platform for the free exchange of ideas on the use of technology to improve learning, assessment, planning, administration, and so on. NETF will facilitate decision making on the induction, deployment, and use of technology, by providing latest knowledge and research to the educational institutions, State and Central governments and other stakeholders. It will also provide an opportunity to consult and share best practices with each other.

CONCLUSION

The online education market in India is set to grow big. At present, many EdTech companies like Byju's Unacademy, Catalyst Group, UpGrad etc. are operating in the sector and providing useful content and courses through online channels. Government initiatives like SWAYAM, e-basta, MOOCs, Digital India have built initial base for more comprehensive future plans. The National Policy on Education 2019 is expected to come out soon, which will provide the required push to digitization and technology in the education sector. The recent outbreak of COVID-19 has only sped up the process of adoption of online channels for education and learning. In a time when #BreakTheChain is norm, the technology and digitization will ensure to #BuildAStrongerChain of learning.

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FINTECH: CREATING NEW OPPORTUNITIES FOR SMEs DURING PANDEMIC

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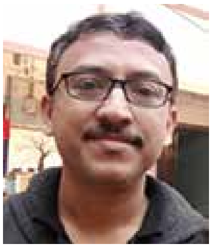

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'As we speak, large banks and Fintech providers are working on solutions that will dramatically change the options for small businesses.'

- Karen G. Mills, Harvard Business School Senior Fellow

INTRODUCTION

The term "FinTech" is a combination of the two words "finance" and "technology". It refers to the technological start-ups that are emerging to challenge traditional banking and financial players and covers a wider array of services, ranging from crowd funding, mobile payment solutions to online portfolio management tools as well as international money transfers. The FinTech Weekly defines FinTech as "*a business that aims at providing financial services by making use of software and modern technology.*" From a host of literature, we understand that technology has almost replaced the necessity of physicality in between the processes, causing a paradigm shift in the treatment of financial procedures like payments, banking, investing, and etc. The COVID-19 pandemic affects every industry differently, and FinTech is no exception. But, as the world shifts from "respond" to "recover" to "resurrect", and economies shifts from crisis mode, FinTech has created an exponential change in the banking and borrowing habits of both the banks and the customers and it has been found that the future of banking and investment depends on FinTech (see. Table: 1). In order to look after the probable issues related to FinTech a working Group was formed by the Financial Stability and Development Council - Sub Committee (FSDC-SC) in their meeting held on April 26, 2016.

Table: 1

Categorisation of major FinTech Innovations

Payments, Clearing & Settlement	Deposits, Lending & capital raising	Market provisioning	Investment management	Data Analytics & Risk Management
▪ Mobile and web-based payments ▪ Digital currencies ▪ Distributed ledger	▪ Crowd-funding ▪ Peer to peer lending ▪ Digital currencies ▪ Distributed Ledger	▪ Smart contract ▪ Cloud computing ▪ e-Aggregators	▪ Robo advice ▪ Smart contract ▪ e-Trading	▪ Big data ▪ Artificial Intelligence & Robotics

Source: Report of the Working Group on FinTech and Digital Banking, November 2017, Reserve Bank of India Central Office Mumbai,pp-7.

Modern companies aim at providing its consumers with ease of making purchases, access to multiple payment options and quick processing of orders- all these come with technology based business models (i.e. FinTech) that traditional business models fail to deliver. Similarly, Fintech companies provide ease and accessibility in funding Small and Medium sized Enterprises (henceforth, SMEs) by employing tech-based tools and models (examples: Financial product aggregators like BankBazaar & PolicyBazaar, P2P lending, etc.). These tools and models use artificial intelligence, big data analytics, etc. to perform its functions. Hence, the need for financial literacy in the SME sector is on the rise because with sufficient knowledge these SMEs can effectively utilise the services provided by the Fintech companies.

The SME sector plays a crucial role in economies across the world, especially in the context of developing and emerging markets. It was estimated that 98% of the total number of enterprises in SME sector contributing around 40% of gross domestic product. This sector is a highly underserved market so far as credit lending and access to adequate financial services are considered. This can create a major opportunity for Fintech start-ups to build sustainable businesses in the SME sector and simultaneously help SMEs to grow and develop in business as well. In India, the Fintech industry is expanding very quickly, along with the adoption rate growing much faster than expected. The key reason behind such rapid growth is that traditional financial service companies have entered into the conflict on a larger scale. Even Goods and Services Tax Network (GSTN), has seen a registered base of more than 9.2 million MSMEs regularly filing monthly returns every month.

In a dynamic world where everything has become online-from food to clothing and even availability of loans, Fintech companies have become the key financial participants through digitalization in the country. They have incorporated changes relating to credit underwriting for SMEs. All these plan of actions have enabled personalisation of loans which is beneficial for the SMEs having unstable inflows of income. Fintech results such as P2P lending have already started their voyage of providing loans and other facilities that have been untouched by formal financial institutions. Hence, it is essential for the SMEs to possess funds as well as financial literacy in order to gain more access to wider arenas and geographies.

The SMEs have unfolded as a highly spirited and dynamic sector of the Indian economy over the last five decades. They not only play an important role in providing employment at lower capital costs as compared to the bigger industries but have also enabled in minimising regional imbalances through industrialisation in the rural sector. If we take a quick look at the global scenario, the SME sector plays a crucial role in economies across the world, especially in the context of developing and emerging markets. It was estimated that 98% of the total number of enterprises in SME sector contributing around 40% of gross domestic product. The SME sector has majorly been an underserved market so far as access to credit lending and adequacy in financial services are considered. This can provide a huge opportunity to Fintech start-ups as they have a huge potential to build sustainable businesses in the SMEs sector and simultaneously help SMEs to grow and develop as well.

SME CURRENT REFLECTION IN INDIA

Currently, more than 50 million SMEs exist in India. They contribute to 8% of GDP, 40% of the total exports, around 45% of the manufacturing output & provide employment to almost 120 million people in India. Despite playing a considerable role in the country's development (see. Table: 2), SMEs even today face fund constraints for promoting and marketing their goods & services, which consequently restricts their growth in the market. In addition to this, the SMEs sector has been and is still using limited innovative & tech-based approaches in conducting normal business operations, compared to the other sectors (i.e. Large-scale industries) in India.

The following recent changes have positively impacted the Indian SMEs:-

1. Increased accessibility and availability of information relating to investments in the various cities and towns belonging to the Tier-2 and Tier-3 centres has accelerated the growth of the small business sectors in India.
2. Digitalization & online marketing has enabled the SMEs to reduce their overhead costs along with enabling their employees to work across different locations with ease.
3. The millennials have the greatest spending capacity as compared to any other generation, causing a shift of the SMEs towards social media, mobile for marketing etc.
4. With the growth in Fintech industries, technological advancements, better customer service, etc. it has become easier for the SMEs to get access to finance at the right time.
5. The internet and advanced technology has enabled SMEs to grow faster and go for market expansion.

Table: 2

Most Promising FinTech Opportunities in India

Leverage Existing Data and Analytics	56%
Improve Customer Retention	56%
Expand Products and Services	56%
Increase Customer Base	40%
Differentiate	40%
Reduce Costs	24%
Decrease IT Costs	12%
Respond to Competition Faster	8%
Other	4%

Source: FinTech Trends Report: India 2017 by PWC, pp-5

(https://www.pwc.in/assets/pdfs/publications/2017/fintech-india-report-2017.pdf)

Some of the major problems faced by the Indian SMEs are as follows:-

1. SMEs in India lack required support from the Government and necessary marketing facilities in order to market the SMEs products.
2. Shortage of budget in order to promote SMEs products and services has been a key challenge.
3. Although technology has advanced, the use of poor innovation techniques by the SMEs has resulted in low profitability, thus limiting their competitiveness in the business field.
4. Lack of required capital and credit facilities from banks has played a crucial factor in obstructing the SME development.
5. The non-existence of a common regulatory body and necessary provisions relating to development licensing, tax assessment, etc. has affected the development of the SMEs.

Role played by various bodies in this regard:

Tech- Based initiatives taken up by various bodies in financing the SME sector are given below:

(1) Reserve Bank of India (RBI): The RBI has come forward to help the SMEs sector in respect of financing their businesses by initiating the following measures:

   a. TReDs: It is e-discounting systems wherein Electronic Bill Factoring Exchanges exist which electronically accept and settles the bills receivables of the SMEs. This system thus helps the SMEs to encash their receivables without delays. It settles bills owed by corporate and other buyers, such as government departments and public sector undertakings as well.

   b. Udyami Mitra Portal: This portal presents the SMEs with a virtual marketplace that provides 'End to End' solutions regarding credit delivery and also other credit-plus services such as tracking of loan application status, enabling connection with various parties (i.e. bank branches, service providers, etc.) etc.

   c. Payment Banks/Small Finance Banks (SFBs): These banks aim at providing primary banking services mainly to the unbanked population of the economy. Customers can make deposits and remittances with Payment Banks, but these banks are not licensed to issue loans, while SFBs are allowed to grant loans to the SME sector.

(2) Government of India (GOI): 59 minutes loan Portal: It is a portal instated by Small Industries Development Bank of India (SIDBI) in collaboration with SBI, PNB, Indian Bank, Bank of Baroda & Vijaya Bank with few more banks also gradually coming into the picture.

Any SME can get a business loan approval ranging from Rs 1 lakh to Rs 1 Crore in just 59 minutes through this portal. With zero registration fees, SMEs can now register themselves in the portal. Existing MSMEs can apply for loan through the portal only if they are GST-registered, IT–compliant & have access to net banking facility.

(3) **Fintech Companies:** Various companies specialising in providing fintech services have also come forward to fund the SMEs. These companies include :

a. **Indifi Technologies**: This Company looks into the debt-financing needs of the SMEs. It first analyses the credit worthiness and business performance of the SMEs and then presents this information to various lending parties. It collects data about these SMEs from multiple sources, thus ensuring that the information provided to the lenders is reliable. In this way, it opens doors to the SMEs for easy access of credit.

b. **Razor Pay**: This Company provides payments solutions that enable the SMEs for – accessing, processing & disbursing of remittances. The customers served by the SMEs are also given the option to use different gateways of payment – credit/debit card, net banking, e-wallets like JioMoney, Paytm, etc., thus SMEs can handle customer payments with flexibility.

c. **BANKIT**: This Company makes an effort towards the financial inclusion of unbanked and under-banked population of India. It provides payment solutions to small businesses by ensuring safety, security and convenience in carrying out business transactions.

d. **EbixCash**: This Company provides the SME sector with a platform for financial exchange. It provides financial services such as digital payments solutions, fund transfer (covering both domestic & international transfers), travel & insurance, etc.

CONCLUSION

In the years ahead, it is predicted that the SME sector will face problems arising out of pledging collaterals with banks, delays in receiving payments & high interest rates on credits lent to the SMEs given that it still remains under-financed as it is today. According to the statement given in the Economic Times by Sanjiv Layek, Executive Secretary, World Association for Small and Medium Enterprises (WASME), Noida - there are three main structural problems restricting the Indian SME growth- i.e. difficulty in availing credit facility, use of inferior technology and difficulty in accessing its target markets. According to Layek, most MSMEs face difficulties in accessing credit, lack knowledge of latest technology and also lack the capability in formulating marketing strategies so as to develop capabilities and compete with global players.

Fintech companies can now reap the benefits of the latest advancement in technology and intensive use of smartphones and come forward to help mitigate the funding gap faced by small business houses. Using technology in improving the delivery and accessibility of financial products, they can come up with initiatives to ensure increased financial inclusion of the SMEs. If FinTech can help shrink the gap, the MSMEs will benefit the most from it. As FinTech is futuristic in nature, it can help MSMEs to explore newer opportunities and mitigate operational risks thereby amplifying the process of value creation.

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NPA: NEED FOR POTENT ANTIDOTE

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The Indian Banks are bleeding with problems of Non- Performing Assets (NPAs). The NPAs growth had a direct impact on the profitability of banks and their capital in recent time. There has been an unprecedented rise in the number of non-performing advances. As on 31.03.2019 nearly Rs 8,79,003 crores (GNPA) are in such NPA advances. Banks and their employees are routinely criticized for an increase in NPA and resultant losses. This article tries to bring out that banks are not solely responsible for the increase in NPA and resultant losses and how the legal recovery system of the country is also answerable for High NPA and low recovery of Bank loans.

Banking Industry is considered as the heart of the Indian Economy and ensures the supply of funds to all parts of the economy as per objective and needs of Government and country. A bank's main business is raising funds from the public and lend it while having some margin known as NIM (Net Interest margin) which are usually 2-3 %.

While banks are supposed to lend the money to businesses, agriculturist and many others for production and consumption purpose. Some part of these lent out fund shall always go bad due to various factors.

Academically, the factors which cause the NPA can be divided in two: Internal Factor and External Factors. The internal factors of Bank are usually the Lack of credit skill & monitoring, improper or timely credit decision or decision under any influences and lack of effective NPA management. External factors are related to the business environment which includes local and world economy, regulatory system, the socio-economic and political climate in which banks are lending and borrowers are operating.

Though both of the factors are responsible for the current NPA scenario, however, the internal factors are mostly under control while the external factors remain the major uncontrollable causes of NPA. For Example, Recent global slow down has affected the Banks asset quality a lot.

After the financial Meltdown in 2008, following is the NPA position of Indian Banking sector.

Table 1

	Advances	Non-Performing Assets	
Year (End-March)	**Gross Amount**	**Amount**	**As a Percentage of Gross Advances**
2018-19	10290923	936474	9.1

2017-18	9266210	1039679	11.2
2016-17	8476705	791791	9.3
2015-16	8171114	611607	7.5
2014-15	7560666	322916	4.3
2013-14	6875748	263015	3.8
2012-13	5971820	192769	3.2
2011-12	4648808	136968	2.9
2010-11	3995982	93997	2.4
2009-10	3262079	81718	2.5
2008-09	3024652	69954	2.3
2007-08	2503431	56606	2.2

This data suggest that the NPA percentage was sub 3% in FY 2011-12 and a few years before it but started increasing since then.

However whatever may have been the reasons of NPA, Whatever may be the type of borrower or Bank, it is the conducive legal system which helps in enforcing security and recovery of loan and keeps the NPA level under control.

Following are the main legal recovery channels and recovery through these channels.

MAIN RECOVERY CHANNELS IN INDIA AND RECOVERY THROUGH THEM

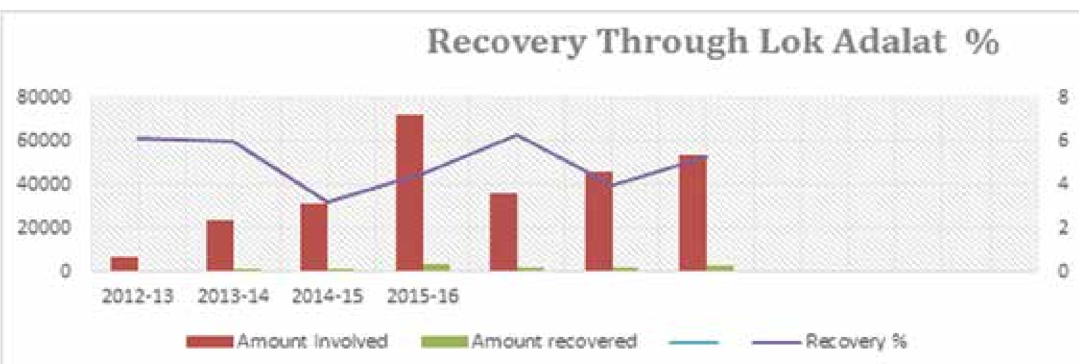
A. Lok Adalat Lok Adalat is a forum where disputes/cases pending in the court of law or at a pre-litigation stage are settled under Legal Services Authorities Act, 1987. Banks approach Lok Adalat for settlement of dues in respect of smaller loans

B. Banking Sector's Recovery through Lok Adalat over the years:

Table 2

	No of case Referred	Amount Involved	Amount Recovered	Recovery %
2012-13	840691	6600	400	6.1
2013-14	1636957	23200	1400	6.0
2014-15	2958313	30979	984	3.2
2015-16	4456634	72033	3224	4.5
2016-17	35,55,678	36100	2300	6.3
2017-18	3317897	45728	1811	4.0
2018-19	4080947	53506	2816	5.3
Total	20847117	268146	12935	4.8

Chart 2



1. Totally 2.08 crores numbers of cases were referred under this channel between 2012 and 2019. ASCBs were able to recover Rs.12935 crores through Lok Adalats, which represent 4.8% of the total amount involved Rs.268146 crores.
2. The highest recovery rate of 6.3% was recorded by ASCBs during FY2016-17.
3. Overall, the table shows a fluctuating trend and the average recovery rate of ASCBs through Lok Adalats during the period was just 4.8%.

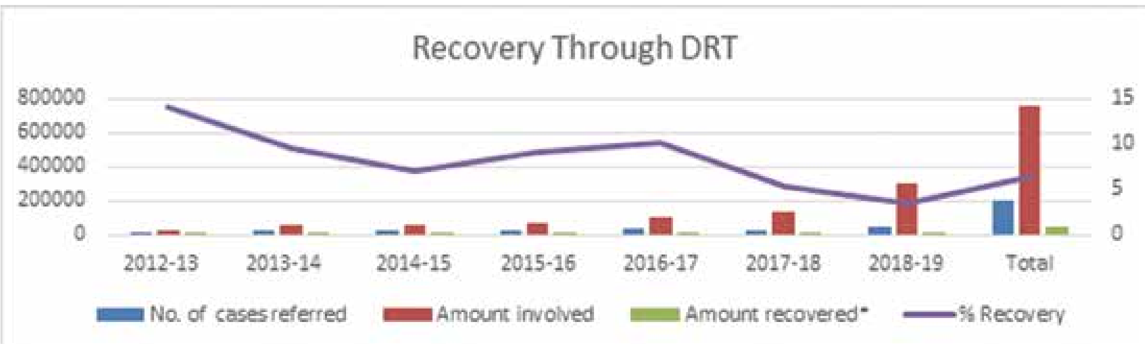
B. Debt Recovery Tribunal The Debts Recovery Tribunal (DRT) is a recovery tribunal set up under the Recovery of Debts Due to Banks and Financial Institutions (RDDB&FI) Act 1993, for handling NPA debt amount Rs.20lakhs and above. As on date, there are 39 DRT's and 5 DRAT's functioning in India.

Banking Sector's Recovery through DRT:

Table 3

	No. of cases referred	Amount involved (Rs in crores)	Amount recovered (Rs in crores)	% Recovery
2012-13	13408	31000	4400	14.2
2013-14	28258	55300	5300	9.6
2014-15	22004	60371	4208	7.0
2015-16	24537	69341	6365	9.2
2016-17	32418	100800	10300	10.2
2017-18	29345	133095	7235	5.4
2018-19	52175	306499	10574	3.5
Total	202145	756406	48382	6.4

Chart 3



1. Table shows that the total number of cases referred under DRTs during 2012 to 2019 stood at 2.02 lakhs and Total amount of Rs 756406 crores were dealt by DRTs during the same period.
2. The amount recovered through DRTs during this period was Rs. 48382 crores which represents the 6.4% of the amount involved.

C. Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI)

The SARFAESI Act was passed in the year 2002 as per the recommendation of the Narasimham committee II; it empowers the banks and financial institutions to take possession of the secured assets directly from the borrowers and dispose it to realize the due without delay of legal proceedings.

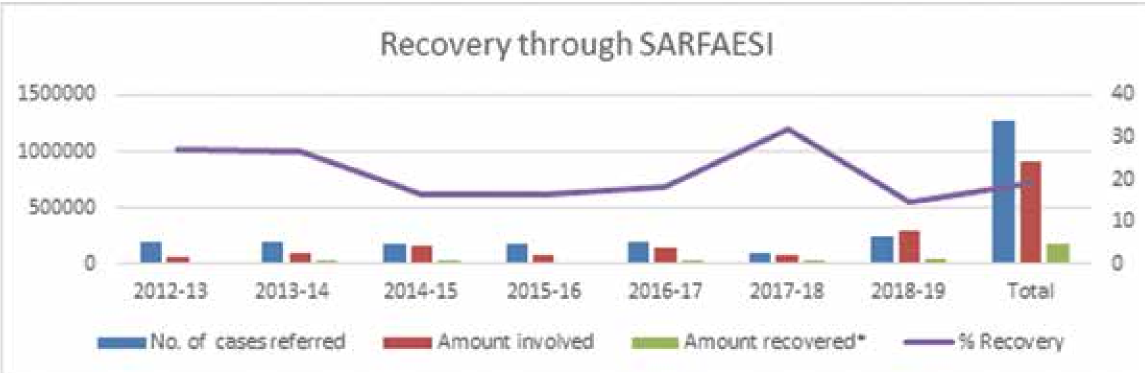
Banking Sector's Recovery through SARFAESI:

Table 4

	No. of cases referred	Amount involved	Amount recovered*	% Recovery
2012-13	190537	68100	18500	27.2
2013-14	194707	95300	25300	26.6
2014-15	175355	156778	25600	16.33

2015-16	173582	80100	13179	16.45
2016-17	199352	141400	25900	18.3
2017-18	91330	81879	26380	32.2
2018-19	248312	289073	41876	14.5
Total	1273175	912630	176735	19.36

Chart 4



1. Totally there are 12.73 lakhs cases referred under SARFAESI for the 7 years from 2012-19 for a total amount of Rs 912630 crores.
2. The amount of NPAs recovered through SARFAESI Act during 2012-19 was Rs. 176735 crores which denotes 19.36 % of the amount involved

D. Insolvency and Bankruptcy Code 2016

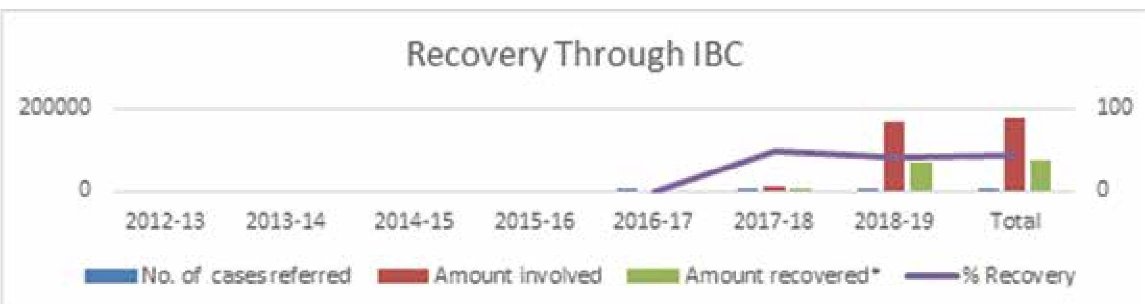
A new weapon in arsenal of Banks for recovery, Insolvency and Bankruptcy Code (IBC), 2016 is the single law that deals with insolvency and bankruptcy by consolidating and amending various laws relating to reorganization and insolvency resolution.

Banking Sector's Recovery through IBC

Table: 5

	No. of cases referred	**Amount involved**	**Amount recovered***	% Recovery
2016-17	37	0	0	0
2017-18	704	9929	4926	49.6
2018-19	1135	166600	70819	42.5
Total	1876	176529	75745	42.9

Chart 5



1. Totally there are 1876 cases referred under IBC for the 3 years from 2016-19 for a total amount of Rs 176529 crores.
2. The amount of NPAs recovered through IBC during 2012-19 was Rs. 75745 crores which denotes 42.9 % recovery.

E. Asset Reconstruction Companies Asset reconstruction companies are set up and registered with the Reserve Bank of India (RBI) as a securitization company (SC) and reconstruction company (RC) to acquire distressed secured financial assets. The underlying idea of bringing ARCs under SARFAESI Act is to enable banks to clean up their balance sheets; pass on the burden of recovery to an agency which could help faster resolution of NPAs.SARFAESI Act permits ARCs to purchase financial assets through an agreement with the banks.

Banking Sector's Recovery through ARC

Table 6

	Details	Amount in Crores
2015-16	Amount Involved	237653
	Amount recovered	64117
	% recovery	26.98
2016-17	Amount Involved	262733
	Amount recovered	93918
	% recovery	35.75
2017-18	Amount Involved	330563
	Amount recovered	98118
	% recovery	29.68
2018-19	Amount Involved	388069
	Amount recovered	114615
	% recovery	29.53
Average recovery %		30.48

Chart 6

Above exhibits the amount involved in the recovery, the amount recovered and the rate of recovery under Sale to ARC by SCBs during 2015-19. The average recovery rate is 30.48%.

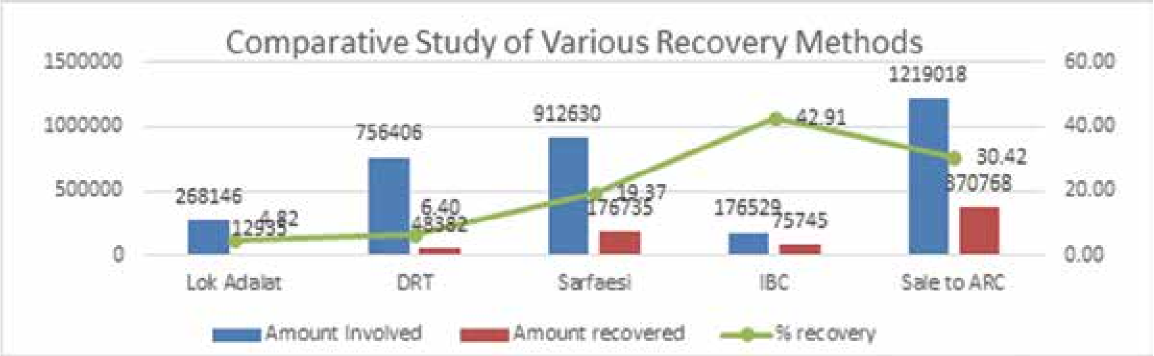
Comparative Chart of modes of Recovery in SCB (Based on last 7-year Data):

Table 7:

	Lok Adalat	**DRT**	**SARFAESI**	**IBC**	**ARC**	**Total**
Total number of cases	20847117	202145	1273175	1876	--	22324313
Amount Involved	268146	756406	912630	176529	1219018	3332729
Amount recovered	12935	48382	176735	75745	370768	684565
% Recovery	**4.82**	**6.40**	**19.37**	**42.91**	**30.42**	**20.54**

Chart 7

Chart 7A



1. Above chart defines the recovery made by all SCBs in last 7 years through above modes of recovery. (IBC has data for 3 years and ARC for 4 years)
2. As far as recovery percentage is concerned the highest recovery in % terms has been given by IBC/NCLT and in value terms by Sale to ARC.
3. DRT and Lok Adalat have a very low success ratio. SARFAESI has worked as a stable tool for recovery with average recovery percentage.

CONCLUSION

After analyzing the above data, it can be concluded that in last 7 years, average recovery is just 20.54%, from all the main recovery tools to Banking Industry. This recovery rate would have been much lower if the recovery was not augmented by the IBC and sale to ARC, which are the newest mode of recovery for high value loans.

As these are the main legal modes available to banks for recovery and the resultant recovery is just near to 20%, then how the Banks can be solely blamed for high NPA and resultant losses.

The problems of banks also increases with the time taken in the recovery as in some cases it take several years for recovery and significant legal expenditure are also made by the banks on recovery of NPA.

Legal recovery machinery has to accept its role in providing potent antidote to the pain of Indian Banking sector's i.e. NPA problem of the Indian Banking sector. The legal recovery machinery has to extend maximum support to the Banking Industry for fast and maximum recovery, so that recovery percentage of NPA can be increased.

**The views and opinions expressed in the article are of Divya Kumar Agrawal and not of the Bank*

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ABBREVIATIONS

ASCB: All scheduled Commercial Banks

NIM: Net Interest Margin

NPA: Non Performing Assets

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UPI, RuPay to be available in International Markets as NPCI launches subsidiary to go global

To take highly popular Unified Payments Interface (UPI), RuPay to more countries, the National Payments Corporation of India (NPCI) has announced the launch of a subsidiary for its international growth ambitions. The subsidiary, NPCI International Payments Ltd (NIPL), will facilitate the body's "ambition" of venturing into newer international markets and co-create payment systems with other nations, as per an official statement.

https://www.indiatvnews.com/business/news-upi-rupay-services-in-international-markets-npci-launchessubsidiary-what-we-know-643586

Indian Railways introduces Drone based surveillance system for Railway Security

Drone surveillance technology has emerged as an important and cost-effective tool for security surveillance over large areas with limited manpower. Mumbai Division of Central Railway in Indian Railways has recently procured two Ninja UAVs for better security and surveillance in Railway areas like station premises, Railway track sections, yards, workshops, etc. Railway Protection Force (RPF) has planned extensive use of drones for the purpose of Railway security. Nine (09) drones have been procured by RPF so far at a cost of Rs. 31.87 lakh (US$ 0.05 million) at South Eastern Railway, Central Railway, Modern Coaching Factory, Raebareli and South Western Railway.

The purpose of the drone deployment is to provide a force multiplier and aid to the effectiveness of the security personnel deployed. It can help in inspection of Railway assets and safety of Yards, Workshops, car sheds etc. it can be used to launch surveillance on criminal and anti-social activities like gambling, throwing of garbage, hawking etc. in Railway premises. It may be deployed for data collection Analysis of such data collected may prove to be extremely useful in vulnerable sections for safe operations of trains.

https://www.indian-railways-introduces-drone-based-surveillance-system-for-railway-security

Single e-compliance window soon

MCA initiates discussions with RBI, SEBI, DPIIT on transfer of data MCA has initiated discussions with various regulators including RBI, SEBI, and the DPIIT, on the possibility of creating a single platform or compliance forms with common data sources. The objective of the proposed single platform would be to integrate databases of MCA and other bodies to bring down duplication in filing; this will help in ease of doing business.

https://economictimes.indiatimes.com/news/economy/policy/single-e-compliance-window-soon-mca-initiatesdiscussions-with-rbi-sebi-dpiit-on-transfer-of-data/articleshow/77662021.cms

RBI releases framework for authorisation of pan-India Umbrella Entity for Retail Payments

The Reserve Bank on August 18, 2020 unveiled the framework for setting up umbrella entities for operating panIndia retail payments systems and invited applications from eligible companies by February 26, 2021. The umbrella entity shall be a Company authorised by Reserve Bank of India (RBI) under Section 4 of the Payment and Settlement Systems (PSS) Act, 2007. It shall be governed by the provisions of the PSS Act and other relevant statutes and directives, prudential regulations and other guidelines / instructions.

https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3891

National Anti-Profiteering Authority (NAA)

NAA found M/s Eldeco Infrastructure & Properties Private Limited guilty of profiteering but did not impose the penalty for denying the benefit of Input Tax Credit (ITC) to Flat Buyers as no penalty provisions existed when the ITC was denied.

https://www.taxscan.in/gst-naa-didnt-impose-penalty-on-eldeco-infrastructure-for-denying-benefit-of-itc-to-flatbuyers-as-no-penalty-provisions-existed/69209/

US-based Rosen Law Firm announces securities probe against HDFC Bank

US-based Rosen Law Firm, has announced an investigation of potential securities claims on behalf of shareholders of HDFC Bank, resulting from allegations that "the bank may have issued materially misleading business information to the investing public".

https://indianexpress.com/article/business/banking-and-finance/us-investor-rights-law-firm-announcessecurities-probe-against-hdfc-bank-6558897/

Manufacture and Other Operations in Special Warehouse Regulations, 2020 (Notification No. 75/2020- Customs (NT), dated August 17, 2020)

The Central Board of Indirect Taxes & Customs makes the Manufacture and other Operations in Special Warehouse Regulations, 2020. A person who has been granted permission under regulation 5 shall appoint

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a warehouse keeper who has sufficient experience in warehousing operations and customs procedures to discharge functions on his behalf.

https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt75- 2020.pdf

Government keen to speed up stake sale in four State-Owned Banks

Prime Minister Narendra Modi's office has asked officials to speed up the process of trimming government stakes in at least four primarily state-owned banks within the current fiscal year. The sources said the four lenders are Punjab & Sind Bank, Bank of Maharashtra, UCO Bank and IDBI Bank, in which the government owns majority stakes through direct and indirect holdings. The government wants to overhaul the banking sector and is also pushing the privatisation of banks and other state-run companies to help raise funds for budgeted spending amid a fall in tax collections due to the economic downturn caused by the pandemic.

https://www.ndtv.com/business/bank-privatisation-government-keen-to-speed-up-stake-sale-in-four-state-ownedbanks-2281352

Reserve Bank invites comments on the draft framework for recognition of a Self-Regulatory Organisation (SRO) for Payment System Operators

As announced in the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated February 6, 2020, the Reserve Bank placed a draft framework for grant of recognition to an industry association as a Self-Regulatory Organisation (SRO) for Payment System Operators (PSOs). The SRO shall serve as a two-way communication channel between the PSOs and Reserve Bank and work towards establishing minimum benchmarks and standards in the payments space, apart from helping disciplined behaviour by members. The framework is placed for public comments which may be forwarded through email on or before September 15, 2020.

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50233

Partial credit guarantee: Government eases rules to benefit more NBFCs

The government on Monday extended the validity of its partial credit guarantee scheme (PCGS) 2.0 by three months to November '20 to improve liquidity for low-rated shadow lenders and enabled state-run banks to raise their AA and AA- investment sub-portfolio under this scheme by another Rs. 11,250 crore.

https://www.financialexpress.com/industry/banking-finance/partial-credit-guarantee-governmenteases-rules-to-benefit-more-nbfcs/2058131

System-based Asset Classification – UCBs

In order to improve the efficiency, transparency and integrity of the asset classification process, it has been decided to implement system-based asset classification in urban co-operative banks (UCBs).

https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=11948&Mode=0

Uber yet to see recovery of mobility biz in India

Uber is yet to see recovery of its mobility business in India. CEO Dara Khosrowshahi said that adding other markets in the region were seeing a revival. "Mobility recovery is clearly dependent on the public health situation in any given area," Khosrowshahi said while addressing investors on the company's Q2 2020 earnings call.

https://indianexpress.com/article/business/companies/uber-yet-to-see-recovery-of-mobility-biz-in-india-ceo

IBM rolls out newest processor chip, taps Samsung for manufacturing

International Business Machines Corp has announced a new processor chip for data centres, which it says will be able to handle three times the workload of its predecessor. According to the company, the IBM-designed Power 10 chip will be manufactured by Samsung Electronics Co Ltd and is meant for use by businesses inside data centres.

https://economictimes.indiatimes.com/news/international/business/ibmrolls-out-newest-processor-chip-taps-samsung-formanufacturing/articleshow/77584959.cms

Central bank opens doors for Financing Fiscal Deficit

In its 584th central board meeting, RBI decided to transfer ₹57,182 crore as surplus to the government for the accounting year ended 30 June, slightly less than the ₹60,000 crore budgeted by the government for FY21. The fresh transfers are a fraction of the record ₹1.76 trillion that the RBI had transferred to the government in the year-ago, including ₹1.23 trillion as dividend and ₹52,640 crore as a transfer from contingent reserves.

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https://www.livemint.com/industry/banking/central-bank-opens-doors-for-financing-fiscal-deficit11597623949271.html

Government may not need to infuse fresh capital in PSU banks this fiscal

The government may not have to inject fresh capital into the public sector banks (PSBs) as one-time loan restructuring permitted by the RBI has reduced additional fund requirement by them. Also the poor credit off take on account of coronavirus pandemic may obliterate the need for significant growth capital during the current fiscal. There may not be a sudden surge in non-performing assets (NPAs) after the six months' moratorium comes to an end this month as it is followed by one-time loan restructuring, sources said, adding, provisioning requirement is also quite low for the debt recast accounts.

https://economictimes.indiatimes.com/industry/banking/finance/banking/govt-may-not-need-to-infuse-freshcapital-in-psu-banks-this-fiscal/articleshow/77573788.cms

SEBI fines SBI, LIC, Bank of Baroda for violating Mutual Fund norms

Markets regulator SEBI has imposed a penalty of ₹10 lakh each on three public sector financial institutions - SBI, LIC and Bank of Baroda - for not complying with the mutual fund norms. SEBI observed that State Bank of India (SBI), Life Insurance Corporation of India (LIC) and Bank of Baroda (BoB) are the sponsors of SBI Mutual Fund, LIC Mutual Fund and Baroda Mutual Fund, respectively, and they also hold more than 10 per cent stake each in these mutual funds. In addition, LIC, SBI and BoB are also sponsors of UTI AMC and hold more than 10 per cent stake individually in the Asset Management Company (AMC) and Trustee Company of UTI MF.

https://www.livemint.com/industry/banking/sebi-fines-sbi-lic-bank-of-baroda-for-violating-mutual-fund-norms11597418868733.html

Mental illness can be covered under Health Insurance

With the aim of making mental healthcare available to all, the Insurance Regulatory and Development Authority of India (IRDAI) have asked mental illnesses to be included in all regular health insurance coverage. IRDAI has made it clear that insurers cannot deny coverage to policyholders who have used opioids or anti-depressants in the past. Also, insurers cannot deny coverage to people with a proven history of clinical depression, personality or neurodegenerative disorders, sociopathy and psychopathy. With the latest announcement, IRDAI aims at making mental healthcare available to all.

https://www.financialexpress.com/money/insurance/does-your-health-insurance-cover-mentalillnesses/2056594/

RBI revises norms for Core Investment Companies

The Reserve Bank of India (RBI) announced stricter guidelines for core investment companies (CICs), mandating more disclosures, better risk management and a simpler group structure. These guidelines are based on recommendations of the Working Group to Review Regulatory and Supervisory Framework for Core Investment Companies. The group's report was released by RBI on November 6, 2019.

https://www.livemint.com/industry/banking/rbi-tightens-regulations-for-core-investment-companies11597324785628.html

Credit cost to more than double for NBFCs, says Acuite Ratings

Acuite Ratings and Research said that despite restructuring relief from Reserve Bank of India (RBI), credit costs are likely to more than double for most of non-banking players. In a discussion on non-banking financial companies (NBFCs) amid COVID-19, the rating firm said that profitability headwinds for shadow banks would remain high due to sharp decline in disbursements. RBI had earlier allowed lenders to restructure personal as well as corporate loans with strict barriers.

https://www.financialexpress.com/industry/banking-finance/credit-cost-to-more-than-double-for-nbfcs-saysacuite-ratings/2054390

In aid of Insolvency Professionals conducting Liquidation Process

An Insolvency Professional (IP) plays a key role in various processes under the Insolvency and Bankruptcy Code, 2016 (Code). He acts as liquidator in liquidation and voluntary liquidation processes and the entire liquidation process revolves around him. The Adjudicating Authority (AA), National Company Law Appellate Tribunal (NCLAT), and High Courts, through their orders and judgements, have guided liquidators in the conduct of liquidation process. This communication presents a few significant directions and observations from these orders and judgements, which an IP may find useful. These are presented under the following six broad categories: A.

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Taking Charge as Liquidator, etc. B. Scope of Liquidation Estate, etc. C. Sale of Assets, etc. D. Attachments, etc. E. Managing the Affairs, etc., and F. Powers and Duties, etc.

https://www.ibbi.gov.in/uploads/legalframwork/c3b3b6a01a710b85c8e12d12db52c33f.pdf

Companies need approvals to defer AGMs till 31 December

The Ministry of Corporate Affairs (MCA) clarified that companies would need to seek specific approvals to defer their annual general meeting till 31 December.

https://www.livemint.com/companies/news/companies-will-need-to-get-approvals-to-defer-agms-till-31-december-11597762005934.html

Kotak Mahindra and Axis Bank allege Rs 1,200 crore fraud by Cox & Kings, probe begins

A probe has been initiated into two complaints of alleged fraud to the tune of Rs. 1,204 crore against travel company Cox & Kings Ltd. The complaints, which have been lodged by two banks — Kotak Mahindra and Axis Bank are being investigated by the Economic Offences Wing of the Mumbai police.

https://economictimes.indiatimes.com/industry/banking/finance/banking/kotak-mahindra-and-axis-bank-allege-rs-1200- crore-fraud-by-cox-kings-probe-begins/articleshow/77442407.cms

Online Dispute Resolution (ODR) System for Digital Payments

As per the Statement on Developmental and Regulatory Policies issued as a part of Monetary Policy statement dated August 06, 2020, it is informed that the Reserve Bank of India (RBI) had announced introduction of Online Dispute Resolution (ODR) system for resolving customer disputes and grievances pertaining to digital payments, using a system-driven and rule-based mechanism with zero or minimal manual intervention. To begin with, authorised PSOs shall be required to implement an ODR system for disputes and grievances related to failed transactions in their respective payment systems by January 1, 2021.

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11946&Mode=0

Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Second Amendment) Regulations, 2020

The Insolvency and Bankruptcy Code, 2016 enables a corporate person to initiate voluntary liquidation process if it has no debt or it will be able to pay its debts fully from the proceeds of the assets. The corporate person appoints an insolvency professional to conduct the voluntary liquidation process by a resolution of members or partners, or contributories, as the case may be. However, there can be situations which may require appointment of another resolution professional as the liquidator. The amendment made to the Regulations provides that the corporate person may replace the liquidator by appointing another insolvency professional as liquidator by a resolution of members or partners, or contributories, as the case may be.

https://www.ibbi.gov.in/uploads/legalframwork/41dae71b62c3fa756602c8fec7848b58.pdf

RBI firm on no bank licence to India Inc.

The Reserve Bank of India (RBI) has stuck to its traditional stand of restricting large corporates from promoting banks. In informal discussions with the government in the context of the new privatization policy that is in the planning stage, the RBI has communicated its stand on the matter, sources familiar with the developments said.

https://www.business-standard.com/article/finance/no-bank-licence-to-india-inc-rbi-sees-threat-to-financialstability-120080600026_1.html

Maruti Suzuki partners with IIM Bangalore to incubate mobility startups

In order to increase its engagement with start-ups in the area of mobility, India's largest carmaker Maruti Suzuki India entered in a partnership with Indian Institute of Management, Bangalore (IIMB). This is first-of-its kind initiative taken by the company that will help the early-stage start-ups in becoming a large-scale business. There will be a 3-month (pre-incubation) and 6- month (incubation) engagement period for mobility start-ups at the Nadathur S. Raghavan Centre for Entrepreneurial Learning (NSRCEL), the start-up hub and incubation centre of IIMB.

https://www.maruti-suzuki-partners-with-iim-bangalore-to-incubate-mobility-startups

Tata Tele partners FirstWave solutions to expand cyber security portfolio

Tata Teleservices (TTSL) has partnered with Australian cloud security company FirstWave Cloud Technology to expand its cyber security portfolio. Under this

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partnership, TTSL will use FirstWave's Cloud Content Security Platform (CCSP) to provide email security, web security, next-generation firewall, endpoint security and multi-factor authentication (MFA) Security Services. The SMB customers of Tata Teleservices will have access to a comprehensive smart perimeter security proposition that is robust, scalable and can be rapidly deployed at an affordable cost as a part of this agreement, the company said. The company will offer security solutions for customers using public and private cloud business applications. Tata group had earlier sold consumer mobile business to Bharti Airtel but continues to operate the enterprise division of TTSL.

https://www.tata-tele-partners-firstwave-solutions-to-expand-cyber-security-portfolio

Minutes of the Monetary Policy Committee Meeting August 4 to 6, 2020

The twenty fourth meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held from August 4 to 6, 2020. According to Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank shall publish, on the fourteenth day after every meeting of the Monetary Policy Committee, the minutes of the proceedings of the meeting.

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50240

RBI payout no succour for Government Finances

Finance Minister Nirmala Sitharaman can expect another payout from the Central Bank in coming weeks, but it's unlikely to plug a huge government revenue hole created by the pandemic. The Reserve Bank of India's board, led by Governor Shaktikanta Das, had met, since August typically is the month the central bank makes its annual transfer to the government. Therefore, expectations are running high that the RBI will disclose its dividend payout.

https://www.livemint.com/industry/banking/rbi-payout-no-succor-for-government-finances11597363227001.html

So far, Lenders have disbursed only ₹1 trillion to stressed MSMEs

The Centre's much-publicized credit guarantee scheme to aid small businesses resume operations during the crisis caused by the coronavirus pandemic may not have achieved the desired results with total disbursements at just about a third of the finance ministry's target of ₹3 trillion since its launch three months ago. The scheme, part of the government's Aatmanirbhar Bharat initiative, ends in about two months with sanctioned loans touching the ₹1.5 trillion mark as on 18 August.

https://www.livemint.com/industry/banking/so-far-lenders-have-disbursed-only-1-tn-to-stressed-msmes11597972087188.html

Italy's Snam eyes investments in Indian gas pipelines

Italy's Snam, the operator of Europe's largest natural gas transmission network, is planning to invest in the Indian gas pipeline business and has roped in GAIL's former chairman B C Tripathi as its adviser. The discussion took place between Snam top executives, the oil minister, officials, regulator, and industry executives in India, to understand the investment opportunities and regulatory landscape. It included various topics including hydrogen fuel, gas storage and small-scale liquefaction technologies but the company's focus was on pursuing investment opportunities in the gas pipeline business. In July 2020, Snam, in consortium with five international investment funds, acquired 49 per cent stake in ADNOC Gas Pipelines in the UAE for US$ 10.1 billion.

https://www.news/italys-snam-eyes-investments-in-indian-gas-pipelines

References:

Compilation from various secondary sources and reports such as Business Standard, PIB, ICSI, IBEF, Company reports and other media

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